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Local products, global markets

Food and beverage manufacturing
feeds the region's economy

THE EUGENE AREA CHAMBER OF COMMERCE: LEADERSHIP, COMMUNITY, RESULTS

COVER STORY

Food far and wide

The Eugene area food and beverage sector posts strong gains and reaches global markets

BY CARA ROBERTS MUREZ
PHOTOS BY DAVID LOVEALL

Whether it's a healthy muesli breakfast, a dish of ice cream, a chilled glass of beer or a mug of hot tea at the end of a long day, it is made here — and shipped all over the country and the world.

These foods and drinks are just a few of the many edible products that workers brew, mix and bake at Eugene-Springfield area business.

Food and beverage manufacturing is thriving right now in this community, but it's also an industry that has deep roots, with manufacturing of consumables dating back many decades in Lane County.

Thanks in part to the fact that food is essential, the local industry was resilient during the great recession, and has been growing since the recovery with gains both in employment figures and in number of businesses.

Projections suggest this is just the beginning.

"We lost a lot of manufacturing during the great recession, but the food and beverage sector just kind of flattened out and then continued to grow right when the recession was over," said Brian Rooney, regional economist for Lane and Douglas counties for the Oregon Employment Department.

It "has had substantial growth since then," Rooney added.

Between 2010 and 2015, the number of businesses that make up Lane County's food and beverage sector grew from 125 to 144, according to Oregon Employment Department figures. The sector includes businesses that manufacture food and beverages, as well as merchant wholesalers of grocery, farm products and distilled spirits, beer and wine.

Jobs in the sector increased by 23 percent during that time frame, from 2,907 to 3,572.

Even in 2011, when other manufacturing had not climbed out of the recession, food and beverage manufacturing was building.

Projections made in 2012 were that employment would grow by 13.2 per-



Ninkasi Communications Director Ali AAsum and Vice President of Operations Jennifer Olson Morzenti stand in front of Ninkasi's tasting room in Eugene.



COVER STORY



CEO Jason Lafferty's company, SnoTemp, provides an integral link in the food supply chain, keeping food cold and safe.

cent over 10 years in the sector. So far business is on track to significantly bypass that number, Rooney said.

Growth was a little over 15.6 percent in the first three years. That would represent a 52 percent growth rate overall if the growth continued over the full 10-year period, Rooney said.

"It looks like 2015 is going to be the second strongest growth year since the end of the recession in 2010," Rooney said.

Looking ahead

The growing success of the products crafted here has made this industry something the area is now known for throughout Oregon, in other states and even internationally.

In recent years, especially, Eugene has developed an identity as a manufacturer of quality craft beer, cereals, frozen desserts, teas, snack foods and honey, making it a highly important sector that brings money back into this community and provides family-wage jobs. This also has set the tone for what it's like to live here.

The Eugene Chamber wants to capitalize on this opportunity for local businesses.

The Chamber supports traded-sector businesses, helping them solve issues and take

Related stories

Shipping services, beverage distributors, restaurants, cold storage services, contractors and grocers see the impact of food and beverage manufacturing. **Page 20**

Eugene has developed an identity as a manufacturer of quality craft beer, cereals, frozen desserts, teas, snack foods and honey, making it a highly important sector that brings money back into this community and provides family-wage jobs.

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advantage of the many growth opportunities, with the goal of retaining and creating jobs in the Eugene-Springfield area.

The Eugene Chamber along with EWEB and Lane Workforce Partnership identified the Food and Beverage sector as one of the economic engines of the community with a great amount of room for growth potential, more even than the nearly 150 food and beverage companies already here and the nearly

3,500 people they employ.

The Chamber is committed to working with their partners in economic development to be a leader in developing and implementing a plan to grow the food and beverage manufacturing sector in our region.

In January 2016, the Eugene Chamber convened more than 30 food and beverage leaders to discuss barriers and opportunities for growth in Lane County. The sector identified six top areas where the sector strategies team can work to better support the industry.

The team is working to start, grow and attract more food and beverage companies, to streamline regulations and permitting, and to smooth the cost of utilities, said Leigh Anne Hogue, director of economic development for the Chamber of Commerce.

It also is formulating plans for branding and promoting Lane County, building a stronger workforce and increasing collaboration within the industry, Hogue added.

SnoTemp Cold Storage

The success of the industry is on display at SnoTemp Cold Storage in West Eugene, where at any given time the fruits – and vegetables – of many local harvests, as well as cases of craft beer created by Eugene brewers,

The Chamber's Role

- Sector strategy partnerships
- Industrial Lands development
- Expanding Industrial Land Supplies
- Manufacturing workforce development
- Business retention and expansion
- Business advocacy

ice cream mixed a few miles away and granola baked in ovens in the Whiteaker neighborhood, wait in cold and freezing spaces for their next destinations.

Here at this family-owned freezing and storage business, it is possible to see a snapshot of the vast diversity of Lane County's food and beverage manufacturing industry.

Each dome that tops SnoTemp's 235,000 square-foot structure represents an expansion, from the original 1957 building to the 8th expansion in 2014. The result is over 5 football fields of space storing everything from raw goods to finished desserts awaiting shipment to local grocers and far off locations throughout the United States and the world.

"We are only successful if our customers are successful," SnoTemp CEO Jason Lafferty said. "It's been really encouraging to watch the food and beverage ecosystem build out."

At SnoTemp, the company provides an integral link in the food supply chain, keeping food cold and safe.

The Lafferty family has owned its freezing and storage businesses in Eugene and Albany since 1957 and 1974, respectively, uniting them under the same name in 2010.

The business employs about 100 people, three-fourths of them in Eugene where temperature-controlled warehouse space ranges from 20 degrees below zero to ambient temperature.

In addition to preservation, the business offers food and beverage manufacturers inventory control and order fulfillment services.

Lafferty has witnessed firsthand the boom in craft brewing and in local frozen dessert manufacturing. He said he has seen the area transition from being a good incubator for these businesses to being a place where they can mature, as well.

SnoTemp has invested in its own future by



Ninkasi operates a 55-barrel and a 90-barrel brewing system. They employ 109 people, a majority of them locally, and sell their beer in 14 states.

adding a second entrance for trucks in 2013 and investing more than \$1 million in energy efficiency in the past half-dozen years.

"If we didn't exist, everybody would have to build their own warehouse," Lafferty said.

"The value that we provide is that we take the whole warehousing and logistics piece from our customer, and let them focus their capital on making products and selling products."

Ninkasi Brewing Company

Eugene's own Ninkasi Brewing Company has experienced that first-hand, using SnoTemp's services to keep its beer cold and ready for customers.

Craft beer's brewing success during and since the recession is certainly among the

reasons that the sector is successful.

Ninkasi – which started in mid-2006 in leased space within a Springfield Restaurant – is at the center of that success, producing more than 100,000 barrels this past year, making it the 36th largest craft brewer in the country.

The beer manufacturing company, owned by Jamie Floyd and Nikos Ridge and aptly named after the Sumerian goddess of fermenting, operates in the Whiteaker neighborhood. Its extensive space spans a city street, its campus framed by walls in the brewer's signature teal-and-black color scheme.

The company operates a 55-barrel and a 90-barrel brewing system, has a tasting room and tours for beer fans, and runs its own metal

COVER STORY

shop. Ninkasi employs 109 people, a majority of them locally, and sells its beer in 14 states.

Its first beer – Total Domination IPA – is still one of its flagships, but now shares the limelight with six additional flagships, five seasonal beers, special releases each quarter and a single-batch research and development series that lets the brewers flex their creative genius while taking the company back to its small-scale roots.

“For us it was the right time with that right beer and it’s just kind of grown from there,” said Communications Director Ali AAsum.

Ninkasi wants to make great beer and support its community, AAsum said. The company works closely with local business, including SnoTemp and printer Shelton Turnbull.

“A lot of things that we do here are within the community,” said Jennifer Olson-Morzenti, vice president of operations for Ninkasi. “We’ve tried to stay within that and help grow the economy as well.”

“What we bring to the community, along with the other food and beverage (manufacturers), is the sustainable jobs, the living wages and working together as a group to continue to support that,” Olson-Morzenti added.

Wildtime Foods

The thriving industry is great news for local food manufacturers like Wildtime Foods, which has operated in this community for 35 years.

When this natural foods business began in the early 1980s, the owners sold granola delivered by bicycle. Though it has come a long way in sophistication and sales, Wildtime Foods has never veered from its hand-made beginnings.

In the first floor of its two-story space, also in the Whiteaker area, not far from carefully organized boxes of cashews and tubs of oil, employees pour in grains, nuts and dried fruits by hand to make products such as its Organic Swiss Muesli sold in stores under the Grizzlies Brand.

Many of the granolas, cereals and trail mixes that the company produces are mixed by hand, baked in small ovens and packaged in the same building before being distributed to local stores and shipped to natural foods grocers in Manhattan, Vermont and Tampa, Florida.

“There’s a level of consistency and quality, but there’s also a uniqueness when it comes to texture and appearance and flavor that can be achieved” through the handmade process,



Whit Hemphill, co-owner of Wildtime Foods, says the company employs about 30, almost doubling its numbers after moving to its new location a year and a half ago.

said Whit Hemphill, who has been co-owner of the company for about four years with Brad Averill, who bought Wildtime Foods in 2001.

Wildtime Foods employs about 30 people now, almost doubling its numbers after moving to its new location a year and a half ago.

One of the perks of being an employee is a food allowance for Grizzlies products, which creates an effective quality control at the company, as well.

“If anything changed, we would certainly hear about it because we have a vocal – in a good way – crew that takes pride in what they make,” Hemphill said.

The national movement to eat food sourced locally, organically or with familiar ingredients, has been a boon to natural food manufacturers.

Sales of organic food in particular were up 11 percent in 2014 from the previous year, according to the Organic Trade Association, nearing a milestone of a 5 percent share of the total food market and totaling \$39.1 billion in sales.

Yet, Hemphill said, his is not a company that has ever pursued the latest trends.

“We’ve been pioneers in the sense that we’ve been doing it a long time,” Hemphill said, “but at the same time we haven’t had to go out and spend a ton of marketing dollars to try to get the message into people’s heads.”

Attune Foods

In recent years, many local businesses have received national attention and dollars, which in some cases has led to major capital investments (see related story).

These companies include the Peace ce-

COVER STORY

Lane County 2015 food and beverage statistics

- 144 food and beverage manufacturing companies
- 3,572 employees
- \$151,069,908 in annual payroll

real line that was a part of local natural foods company Golden Temple and is now made by Attune Foods, owned by Post Holdings.

Attune Foods, which produces Peace, Sweet Home Farm, Erewhon, Uncle Sam, Attune, Willamette Valley and Golden Temple bulk brands, makes nearly 50 million pounds of granola annually in Eugene. The company employs 300 people at its Eugene location.

“When I started (15 years ago), we had one oven and one packaging line,” said Chris Cameron, senior director of supply chain for Attune Foods. “We now have two ovens, two extruders and five packaging lines.”

Attune Foods specializes in the natural and specialty cereal market. The company sells its products in almost every state, as well as abroad in places such as South Africa and Singapore.

It also has a commitment to feeding the hungry, donating 1.2 million servings of cereal to school kids, in a collaboration with other local businesses Grain Millers and GloryBee, since 2006, Cameron said.

Among the reasons for the company’s success are its location.

The Eugene location ensures easy access to food technologists for testing products for safety and quality at area universities and in Portland without having to deal with the congestion and higher cost of doing business that would come with being located in Portland, Cameron said.

Catalysts for growth

Eugene is a good place for food and beverage manufacturers in part because it has close access to a broad range of agricultural products grown in the Willamette Valley and along the West Coast between the Yakima Valley and California. We also have access to great water to support the breweries.

Infrastructure, including commercial space, access to energy due to other types of manufacturing, and proximity to Interstate 5 and railways have also contributed to the growth,



Attune Foods has received both national attention and dollars, says Chris Cameron, senior director of supply chain.

regional economist Rooney said.

The Food and Beverage Sector Strategy Project led by the Eugene Area Chamber of Commerce will continue its focused work in this sector over the next three to five years, Hogue said.

The goal is to build upon those strategies and increase food and beverage sector growth. This has the potential to positively affect food and beverage manufacturers, but also would impact many other related businesses, including printing, packaging, shipping, advertising, food storage, real estate and construction, and would create jobs.

Food and beverage manufacturing can help define a community, Rooney said. If the prod-

ucts have a good reputation, that helps with overall perception of the area. We also have a strong talent base, partially because the talent moves between businesses in the cluster, gaining experience that makes everyone stronger.

Lane County has long had a variety of grassroots food manufacturers, and the growing number of these businesses says something about the community itself, said Hemphill from Wildtime Foods.

“In terms of the innovation and the different products that are here and the small businesses,” Hemphill said, “I think that speaks a lot to the independent nature of people that move to Eugene and that want to live here.” ♦

Food sector fuels many secondary industries

BY CARA ROBERTS MUREZ

When food and beverage manufacturers create their products, it is – of course – a critical step in the process.

But it isn't the only one.

The products need packaging. They require labeling to make their goods stand out on shelves and in coolers.

Shipping services, beverage distributors, restaurants, cold storage services, contractors and grocers, too, all see the impact of food and beverage manufacturing on their own businesses.

"Manufacturing in particular has a lot of secondary benefits to other industries," said Brian Rooney, regional economist for Lane and Douglas counties for the Oregon Employment Department.

That includes not only food and beverage manufacturing but all manufacturing, which can provide good-paying jobs. Exports of

products brings money back to the community, Rooney said. This can also help in other areas, such as demand for housing, goods and services.

The impact of the industry is even greater still, said Leigh Anne Hogue, director of economic development for the Eugene Area Chamber of Commerce, when you consider that all businesses, really, benefit from a successful industry such as this one.

Traded-sector industries set the foundation for the entire local economy, Hogue said. This includes a variety of businesses that might seem more peripheral, such as banks, restaurants and insurance companies. Without the manufacturing jobs, Hogue said, other businesses in the community could not start or grow because the disposable income needed to buy those goods and services would not be here.

The food and beverage sector includes gro-

cery, farm product and wine/beer wholesalers.

The annual average employment in 2014 for those food and beverage wholesalers was 1,214 people, a number that has remained stable the past couple years, Rooney said.

Printing, in particular, is a type of business that has seen a benefit from local food and beverage manufacturing, especially from the booming craft brewing industry.

"Printing for most of the past decade or so has been trending downward because we're seeing more news and advertising done electronically," Rooney said.

"But food is one of those things that people want to buy in person as opposed to over the Internet," he added. "Therefore, we still need some packaging and labeling."

Printing and related support services dropped from about 800 employees in 2001 to a bottom point of 287 in 2011, Rooney said. It has had an upturn since then, with 350

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employees in 2015 in Lane County.

Shelton Turnbull, a Eugene-based, employee-owned printer that began operations more than 90 years ago, is a great example.

The company prints labels for both the wine and beer industries, including for more than 60 craft breweries, said marketing manager Sarah Evans.

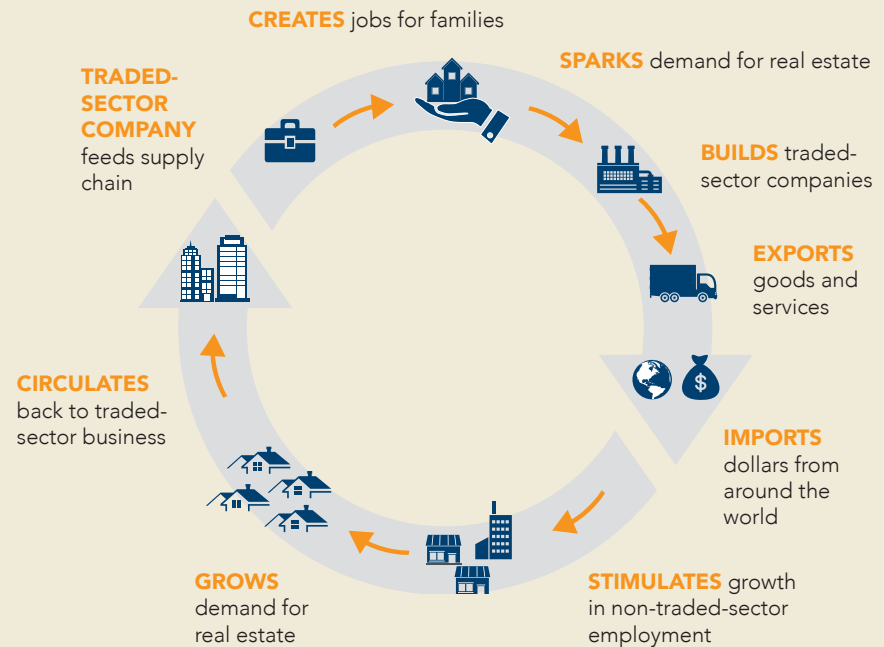
The business experienced the downturn in the market, not in publishing but in printing forms and other marketing and sales materials. People became more strategic about what they would print versus what they would produce electronically, Evans said.

In the craft beer industry, many breweries have their own artists design the labels, but they choose an outside printer to ensure good printing quality and help their products stand out, Evans said.

"That's where I see that we're becoming a player in food packaging overall is people who understand that their product needs to have, their labels and their packaging need to have, the same quality that represents their product," Evans said. ♦

The traded sector cycle

Traded sector industries – like food and beverage manufacturing – send our products out of the area and brings money into Lane county, which stimulates jobs, real estate and the need for goods and services. These demands further contribute to our economic growth in the traded sector cycle.



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COVER STORY

Food manufacturers invest in capital projects

BY CARA ROBERTS MUREZ

While the food and beverage manufacturing industry in Eugene and the surrounding area thrives, local manufacturers are betting that the interest in tea, ice cream and natural foods will only continue to grow.

East West Tea Company, Oregon Ice Cream Co., and GloryBee all have expansion projects in the works. Each expects these significant capital investments will be worthwhile over the long term.

"There's a lot of growth opportunity," explained Eric Eddings, president and CEO for Oregon Ice Cream, including double-digit growth nationally in natural and conventional frozen desserts. "It is a good time to make investments in ice cream companies."

Oregon Ice Cream Co.

Oregon Ice Cream is investing between \$8 million and \$10 million in its Eugene ice cream plant to increase production volume

and efficiency for its ice cream lines.

Oregon Ice Cream was established as a family business 78 years ago, first under the name Dutch Girl Ice Cream. Over the years, the company changed hands a couple of times, most recently in 2014 when it was purchased by Branch Brook Holdings, based in New Jersey.

Though headquarters for Oregon Ice Cream are in Camas, Wash., the manufacturing plant is located in Eugene.

The company employs 125 to 160 people, depending on the season, making ice creams for food service and retail customers, as well as co-packing ice cream bars for other companies, including Tillamook, Yasso and Coconut Bliss.

Its own brands are Alden's Organic, Julie's Organic and Cascade Glacier ice creams.

The company is demolishing part of its existing plant and adding on an 8,000 square foot new structure. It also is retrofitting existing buildings.

"So we're bringing in a combination of new construction as well as significant investment in new equipment," Eddings said.

Eddings said the investment will add technology that should draw more highly skilled- and highly-compensated, labor.

Oregon Ice Cream has made it a point to use local businesses on the expansion, Eddings said, including local contractor Ryan Thomas Construction, SSW Engineers and Knife River.

"To be able to use the local vendors. That just stimulates the local economy in general," Eddings said. "It's a win-win for everybody."

East West Tea Company

East West Tea Company, which makes Yogi Teas, is in the planning stages for its expected new 175,000 square foot tea factory, which would be located on a 13-acre parcel in West Eugene.

The project would bring its operations under one roof, instead of three Lane County



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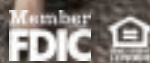


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locations, and would enable them to double tea production, Khalsa said.

The company, which operates in the United States and Europe, makes about 60 percent of its tea in Springfield.

Yogi was once part of the Golden Temple company, making cereals starting in the 1970s. The company began making tea in this community in the early 1990s. The cereal part of the business was sold in 2010. East West Tea Company is owned by the Sikh Dharma religious community.

Yogi makes about 60 varieties of tea. It employs 129 people, with 111 of them in the Eugene/Springfield area.

The capital investment project is expected to cost between \$15 and \$20 million.

"We see a lot of potential and a lot of growth," Singh.

GloryBee

GloryBee, which was founded in 1975 by Dick and Pat Turanski in Eugene, is ready to grow, too, said RaeJean Wilson, a member of the next generation in the family business.

The company is ever cautious to not grow

Key capital investments

Capital investments by the food and beverage industry in Lane County

COMPANY	INVESTMENT	SQUARE FOOTAGE
Oregon Ice Cream	\$8-\$10 million	8,000
East West	\$15-\$20 million	175,000
Glory Bee	Undisclosed	70,000

more quickly than the market can support, said Wilson, who is senior executive vice president.

Currently GloryBee has almost 115,000 square feet of space divided between two buildings on North Seneca Road and Airport Road.

A plan to purchase a 30-acre site in West Eugene with a 68,000 square foot building is still pending, Wilson said. The company would plan to keep its Airport Road facility, the larger of its current two, and renovate the new acquisition into a 70,000 square foot production facility.

GloryBee is both an ingredient supplier, providing honey and liquid sweeteners for

other companies' finished products and a manufacturer of its own Aunt Patty's and GloryBee branded products.

The company employs 200 people. That's a significant increase, about 55 people, more than they employed just four years ago, Wilson said.

"We believe that our industry will just continue to grow," Wilson said.

"We're excited for the other food and beverage companies in our community," she added. "We're excited that we can really all partner and work together to continue to make this a great place to thrive." ♦



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